

## Message Text

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APPROVED BY EUR:RDVINE

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EUR/CE:DANDERSON

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FM SECSTATE WASHDC

TO AMEMBASSY VIENNA IMMEDIATE

C O N F I D E N T I A L STATE 095075

E.O. 11652:GDS

TAGS:PFOR, ENRG, EINV, EAID, AU

SUBJECT: AUSTRIAN REQUEST FOR USE OF ERP FUNDS FOR  
INTEREST SUBSIDIES

REFS: (A) VIENNA 3299, (B) VIENNA 3171, (C) VIENNA 3095,  
(D) VIENNA 3085, (E) VIENNA 3061

1. THE DEPARTMENT AGREES WITH THE EMBASSY'S RECOMMENDATION  
(PARA 1 REFTEL D) THAT THE AUSTRIAN GOVERNMENT SHOULD BE  
INFORMED THAT IT WOULD NOT BE POSSIBLE TO ACCEDE TO THEIR  
REQUEST FOR A GRANT OF ERP FUNDS TO SUBSIDIZE INTEREST  
RATES ON CREDITS FROM THE BANKING SECTOR.

2. THE GRANT PROGRAM REQUESTED BY THE AUSTRIAN GOVERNMENT  
CANNOT BE AUTHORIZED UNDER THE CURRENT TERMS OF THE US-  
AUSTRIAN COUNTERPART SETTLEMENT AGREEMENT OF MARCH 29, 1961,  
WHICH WAS BASED UPON THE MUTUAL SECURITY ACT OF 1954. AN  
AMENDMENT OF THE AGREEMENT-- PROBABLY IN THE FORM OF A  
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SUPPLEMENTARY EXCHANGE OF NOTES-- WOULD BE REQUIRED TO

ACCOMMODATE THE AUSTRIAN REQUEST. EVEN IF THE US GOVERNMENT WERE TO AGREE TO CONSIDER SUCH A CHANGE, THIS COULD BE A TIME-CONSUMING PROCEDURE WHICH WOULD PROBABLY NOT MEET THE URGENT TIME SCHEDULE THE KREISKY GOVERNMENT APPARENTLY HAS SET FOR ITS INTEREST SUBSIDY PROGRAM (PARA 6, REFTEL D).

AS THE EMBASSY ALSO HAS CORRECTLY NOTED (PARA 8, REFTELD), AN AMENDMENT OF THE CURRENT AGREEMENT COULD CREATE UNDESIRABLE PRECEDENTS.

3. MOREOVER, THE DEPARTMENT SHARES THE EMBASSY'S MISGIVINGS (PARA 8, REFTEL D) ABOUT OUR BECOMING INVOLVED IN AN ENDEAVOR WHICH COULD BE VIEWED AS AIMED AT STRENGTHENING THE INCUMBENT SOCIALIST GOVERNMENT'S PARTISAN POSITION IN THE FORTHCOMING NATIONAL ELECTIONS. IN THIS CONNECTION, HAS THE EMBASSY LEARNED ABOUT ANY OPPOSITION VIEWS ON THE SITUATION IN THE AILING COAL MINING INDUSTRY OR THE GOVERNMENT'S INTEREST SUBSIDY PROPOSALS?

4. ALTHOUGH THE AUSTRIAN REQUEST HAS ALREADY RECEIVED SOME NEWSPAPER PUBLICITY (REFTEL A), THE LOW-KEY TACTICAL APPROACH SUGGESTED BY THE EMBASSY IN PARA 9, REFTEL D, APPEARS TO BE THE PREFERABLE METHOD OF HANDLING THE TURNDOWN AT THIS POINT. KISSINGER

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